Worksession

Agenda Item #	15
Meeting Date	June 7, 2004
Prepared By	Richard M. Finn
Approved By	

Discussion Item	Street Rehabilitation Loan
Background	At the June 1st Work Session the City Council considered several scenarios which would borrow funds for a seven year period to facilitate the City's Street Rehabilitation program. The assumptions which were used included a bank loan for seven years at 2.6%. Based on a detailed discussion and analysis the Council directed Staff to began preparing the necessary paperwork to pursue the borrowing of $2,005,000 for a seven year period at an interest rate of 2.6 %. Subsequent to the Tuesday evening meeting the Staff contacted the local bank (Sun Trust) and was informed that during the past few weeks the short term interest rates have been edging upward. The City's Bank Officer at Sun Trust indicated that at the present time the Bank could do a seven year loan in the amount of $2,005,000 at an interest rate of 3.2%. Based on this information the Staff has rerun the three different scenarios that were previously presented to the City Council again using a construction inflationary rate of 3% and 5%. Attached is the Scenario which provided for an annual 5% increase in the cost of construction the second Scenario which provides for a 3% increase in construction cost is not completed at this time and it will be distributed during the upcoming Monday night Work session.
Policy	The City Council determines the need for borrowing funds for City projects.
Fiscal Impact	Proposed borrowing of $2,005,000 for a period of seven years.
Attachments	Three different scenarios using the assumption of an annual 5% increase in the cost of construction.
Recommendation	Based on the slight increase in the short term borrowing rate it appears that it is still advantageous for the City to proceed to borrow $2,005,000 for seven years under scenario number 2. City Council should carefully consider this information and provide Staff with direction.
Special Consideration	